

DEFERRED SALARY LEAVE PLAN: AN ILLUSTRATION

The impact of the deduction for the deferred salary is reduced by the lower tax deduction. While the biweekly deductions for EI and CPP may appear smaller, they would occur for longer into the year in order to reach the same maximum annual [2006] deduction of \$729.30 and \$1910.70 respectively.

Other deductions will remain the same Superannuation (pension) DB (death benefits or life insurance) DI (disability insurance) and YTA dues all of which are based on your continued actual gross salary. Deductions for dental and extended health remain as the fixed rates of the plan.

During the year on leave, your accumulated deferral (75% - 80% - 83 1/3% of salary) is paid out monthly with deductions for income tax, CPP and EI.

Superannuation, death benefits and disability insurance premiums are deferred until you return to work when you will pay the arrears over 1 to 2 years.

You may opt out of the other benefits and YTA membership. If you continue the dental, EHB and life insurance, full premiums are paid to YTG. To retain active membership status you would pay 10% of your regular fees to the YTA.

To illustrate: A Comparison of the three Deferred Salary Leave Options [ESTIMATES]

CATEGORY V MAX \$85,582 (biweekly \$3291.62) July 1, 2007

	Regular	3 over 4	4 over 5	5 over 6
GROSS (Biweekly)	3291.62	3291.62	3291.62	3291.62
Deferred	0	822.91	658.32	548.60
Superannuation	246.87	246.87	246.87	246.87
Taxable Pay	3044.75	2221.84	2386.43	2496.15
Income tax*	751.75	473.00	526.25	556.65
*presumed high tax rate –code 1				

INITIAL NET PAY^ 2294.00 1748.84 1860.18 1939.50

^Other deductions remain the same for
Disability, Death Benefit, EHB, Dental, Life Insurance, YTA Dues

Difference Biweekly	545.16	433.82	354.50
Difference "Monthly" (26 pay periods + 12)	1181.18	939.94	768.08

PAYOUT ON LEAVE [NB that accumulation over time also reflects changes in salary]

Monthly Income at work* (26 pay periods + 12)	3789.15*	4030.39*	4202.25*
Gross Monthly pay while on plan**	5348.88**	5705.47**	5943.19**

* less deductions for EI, CPP, LTD, Basic Life, SDB, EHB, Dental and YTA Dues

** DI, DB, EHB, Dental, Life Insurance not included though benefits may be prepaid.
Income tax, EI and CPP still be deducted. Interest earned in plan is paid annually.

Estimating the monthly income when on the plan and when on the leave:
all calculations involve current salary rates, tax rates and deductions. No provision is made for future salary increases or a change in rates and no estimate is made of interest paid on the accumulating deposit which is generally paid out annually

Those enrolled in the plan may ask for a one year deferral of the leave. If granted, the individual would revert to full salary for that year. If there are changes in employment status while a member of the plan i.e. maternity leave, you might remain in the plan, suspend payments and take the leave as scheduled with a lesser deferred amount. Or you may be required /or choose to withdraw from the plan and receive a lump sum of the deferred earnings.

With respect to the superannuation arrears (you could pay in advance by why should you), you must purchase a minimum of 3 months charged - at the rate you would have paid and payable over 6 months. If you wish to have the full year credited as service you pay a double rate for the 9 months. Thus a year's purchase is spread over two full years. (You might defer on the 9 months and elect to purchase just prior to retirement – if the rules don't change and you can pass a medical – but it would definitely cost more.

The values used in these calculations are subject to change and therefore are for illustrative purposes. Indeed there may soon be changes to premiums. However, one could refer to pay statements in order to individualize the comparison.